


State of Alaska

Memorandum

Department of Administration

To: Scott J. Nordstrand
Commissioner

Date: November 14, 2006

From:  Traci Carpenter
Director
Division of Retirement & Benefits

Phone: 465-4817

Subject: Select Benefits Plan Premium Rate for FY08 Plan Year

At the request of the Division, Buck Consulting, benefit consultants for the Division, completed the analysis of the rate development for the medical, dental, vision, and audio plans offered under the State of Alaska's Select Benefits Plan for the FY08 plan year. The analysis was completed to meet the budgetary time-line established by OMB (third consecutive year that this schedule has been in place). If approved, the premium rates would be effective July 1, 2007 through June 30, 2008. A copy of the report outlining the results of the premium analysis is attached for your review and information.

Based on the benefit analysis, Buck Consulting recommends that the FY08 funding levels increase by 2.0% for the medical and 0% for the dental and vision. The Health Benefits Evaluation Committee (management and labor subcommittee) reviewed and participated in the discussion process involving premium rates. The labor members of the Health Benefits Evaluation Committee all approved the 2% increase in the premium as recommended by Buck.

One factor that is important in establishing the premium rate increase is the cash fund balance or reserve account. The current cash fund balance (reserve amount) is \$35.5 million compared with \$18.6 million as of June 30, 2005. The net fund balance as of June 30, 2006, was 11.4% of projected FY08 incurred claims compared with last year at 30%. As a result, Buck did not recommend an adjustment to the FY08 renewal specific to the level of reserves.

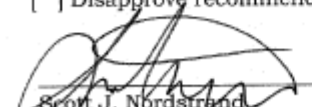
The chart below and the attached report by Buck represent the proposed recommendations by the Division in concert with Buck Consulting, and the members of the Health Benefits Evaluation Committee.

	Premium		Standard	Economy
	Single	Family	Single/Family	Single/Family
Med/Aud/Rx				
FY07 Rates	\$1,000	\$1,179.00	\$916.00	\$790.00
% Change	2.0%	2.0%	2.0%	2.0%
FY08 Rates	\$1,020.00	\$1,203.00	\$934.00	\$806.00
Dental				
FY07		\$175.00	\$105.00	\$45.00
% Change		0.00%	0.00%	0.00%
FY08 Rates		\$175.00	\$105.00	\$45.00
Vision				
			Standard	Managed Care
FY07 Rates			\$33.00	\$22.00
% Change			0.00%	0.00%
FY08 Rates			\$33.00	\$22.00

Total Economy Plan	Single/Family
Total FY07 Funding Rate	\$835.00
Renewal Change	1.9%
Total FY08 Funding Rate	\$851.00

Please note your approval or disapproval of the premium renewal changes for FY08 below:

- Approve recommended FY08 premiums
 Disapprove recommended premiums


 Scott J. Nordstrand
 Commissioner

11/14/06
 Date

Scott J. Nordstrand
Re: Select Benefits 2007/2008 Premium Renewal

November 14, 2006

TC/flm
Attachment(s)

cc: Melanie Millhorn, Deputy Commissioner
Eric Swanson, Director, Administrative Services
Freda Miller, Benefits Manager
Charlene Morrison, Chief Financial Officer
Kathy Lea, Retirement Manager
Tim Adair, Administrative Manager
Claudette Kreuzenstein, Communication Officer
Joan Brown, Chief Budget Analyst, OMB
Members, Health Benefits Evaluation Committee